

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2008
(Unaudited)

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
CMA, CFM, CPA
State Controller

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



KAREN HOPPE
Acting Chief Deputy Controller

ALEX ECHO
Data Processing Manager

**OFFICE OF THE
STATE CONTROLLER**

February 25, 2009

The Honorable Jim Gibbons
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Gibbons:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ending December 31, 2008.

Sincerely,

A handwritten signature in cursive script that reads "Kim Wallin".

Kim Wallin
State Controller

KW:dt

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State Board of Education (2)
Department of Administration (2)
Department of Conservation (2)
Department of Education (1)
Office of the State Treasurer (2)
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State Capitol
101 N. Carson Street, Suite 5
Carson City, Nevada 89701-4786
(775) 684-5750
Fax (775) 684-5696

www.controller.nv.gov

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 4300
Las Vegas, Nevada 89101-1071
(702) 486-3895
Fax (702) 486-3896

STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
December 31, 2008 and 2007
(Unaudited)

Exhibit A

Assets	<u>12/31/08</u>	<u>12/31/07</u>
Cash and cash equivalents	\$ 30,709,360	\$ 30,659,500
Accrued interest		
Investments	2,856,037	2,287,791
Treasurer	104,009	352,836
Total accrued interest	<u>2,960,046</u>	<u>2,640,627</u>
Receivables		
Land sales	398,964	49,518
Fines and penalties	596,395	464,279
Purchased interest	6,528	29,315
Total receivables	<u>1,001,887</u>	<u>543,112</u>
Investments		
U.S. Government securities	<u>265,898,346</u>	<u>255,257,904</u>
Total Assets	<u><u>\$ 300,569,639</u></u>	<u><u>\$ 289,101,143</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 11,838,412	\$ 7,720,401
Due to heirs	698,953	1,105,568
Total liabilities	<u>12,537,365</u>	<u>8,825,969</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>288,032,274</u>	<u>280,275,174</u>
Total Liabilities and Fund Balances	<u><u>\$ 300,569,639</u></u>	<u><u>\$ 289,101,143</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and six months ended December 31, 2008

(Unaudited)

	<u>Quarter Ended 12/31/2008</u>	<u>Exhibit B Six Months Ended 12/31/2008</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,325,971	\$ 2,561,677
District Courts	138,662	298,467
Other Fines and Penalties	<u>65,500</u>	<u>71,100</u>
Total fines	1,530,133	2,931,244
Investment income (loss)	9,969,474	12,395,113
Land sales	398,964	520,529
Escheated estates	(41,169)	(54,024)
Miscellaneous	<u>2,292</u>	<u>83,832</u>
Total revenues	<u>11,859,694</u>	<u>15,876,694</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(9,969,474)</u>	<u>(12,395,113)</u>
Net change in fund balances	1,890,220	3,481,581
Fund balances, beginning of period	<u>286,142,054</u>	<u>284,550,693</u>
Fund balances, December 31, 2008	<u>\$ 288,032,274</u>	<u>\$ 288,032,274</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Bond guarantees at December 31, 2008 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	38,103,000.00	\$	33,192,000.00
Churchill		10,060,000.00		5,650,000.00
Douglas		14,460,000.00		5,410,000.00
Eureka		6,000,000.00		3,066,000.00
Humboldt		5,075,000.00		1,660,000.00
Lincoln		4,075,000.00		3,542,000.00
Lyon		23,330,000.00		18,455,000.00
Mineral		4,425,000.00		3,825,000.00
Nye		38,735,000.00		29,775,000.00
Pershing		5,135,000.00		2,100,000.00
Storey		10,950,000.00		10,800,000.00
White Pine		5,040,000.00		5,040,000.00

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended December 31, 2008, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$15,606,697. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended December 31, 2008, funds held by the State Treasurer earned interest at an effective rate of 2.68 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
December 31, 2008

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	3.850	02/11/09	\$ 7,675,000	\$ 7,669,320	\$ 7,703,781
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,522,830
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,225,000
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	10,168,800
Fed. Farm Credit Bank	3.750	01/24/11	15,000,000	15,213,000	15,248,400
Fed. Farm Credit Bank	3.980	04/03/13	20,000,000	19,990,000	20,043,800
Fed. Farm Credit Bank	3.980	04/23/10	13,000,000	13,000,000	13,365,690
Fed. Farm Credit Bank	5.250	08/03/09	15,000,000	15,448,050	15,417,150
Fed. Farm Credit Bank	4.900	07/08/13	15,000,000	14,996,250	15,478,200
Fed. Farm Credit Bank	4.750	08/13/13	10,000,000	10,000,000	10,196,900
Fed. Farm Credit Bank	5.875	10/03/16	7,000,000	7,107,100	9,562,480
Fed. Farm Credit Bank	4.250	10/15/03	10,000,000	10,283,500	7,196,910
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,249,410
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,740,625
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,625,000
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,534,400
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,237,160
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	19,909,812
Fed. Home Loan Bank Note	5.330	03/06/12	9,000,000	9,059,063	8,944,988
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	10,234,400
Fed. Home Loan Bank Note	4.350	01/30/13	10,000,000	10,000,000	10,025,000
Fed. Home Loan Bank Note	3.650	06/23/11	10,000,000	9,944,800	10,371,900
Fed. Home Loan Bank Note	4.750	12/12/14	8,000,000	8,456,160	7,826,910
Fed. Home Loan Bank Note	4.875	12/13/13	7,000,000	7,000,000	11,068,800
Total Investments			<u>\$ 256,815,000</u>	<u>\$ 257,574,245</u>	<u>\$ 265,898,346</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2008

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2008	Six Months Ended 12/31/2008
Carson City	\$ 7,062	\$ 13,652
Churchill	10,863	21,676
Clark	730,935	1,334,980
Douglas	7,467	16,061
Elko	46,667	85,435
Esmeralda	26,911	54,292
Eureka	3,646	8,636
Humboldt	-	-
Lander	1,371	6,064
Lincoln	524	1,056
Lyon	29,417	61,354
Mineral	815	4,394
Nye	53,780	122,061
Pershing	150	528
Storey	-	-
Washoe	401,843	819,948
White Pine	4,520	11,540
Total	\$ 1,325,971	\$ 2,561,677

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2008

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2008	Six Months Ended 12/31/2008
Carson City	\$ 4,287	\$ 8,601
Churchill	690	1,621
Clark	68,686	141,274
Douglas	4,874	12,220
Elko	17,173	29,099
Esmeralda	-	14
Eureka	1,325	3,930
Humboldt	1,609	2,429
Lander	914	2,634
Lincoln	4,115	8,365
Lyon	3,075	6,455
Mineral	155	255
Nye	790	2,925
Pershing	282	1,031
Storey	-	-
Washoe	28,762	69,415
White Pine	1,925	8,199
Total	\$ 138,662	\$ 298,467

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 31, 2008

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	3.300 %	\$ 7,300,000	\$ 22,031
Fed. Farm Credit Bank	3.300	10,000,000	32,157
Fed. Farm Credit Bank	3.850	7,675,000	73,872
Fed. Farm Credit Bank	4.875	7,000,000	85,313
Fed. Farm Credit Bank	5.250	10,000,000	131,250
Fed. Farm Credit Bank	4.200	10,000,000	105,000
Fed. Farm Credit Bank	3.750	15,000,000	140,625
Fed. Farm Credit Bank	3.980	20,000,000	187,944
Fed. Farm Credit Bank	3.980	13,000,000	145,600
Fed. Farm Credit Bank	5.250	15,000,000	196,875
Fed. Farm Credit Bank	4.900	15,000,000	183,750
Fed. Farm Credit Bank	4.750	10,000,000	118,750
Fed. Farm Credit Bank	5.875	8,000,000	97,917
Fed. Farm Credit Bank	4.250	7,000,000	61,979
Fed. Home Loan Bank Note	4.125	10,000,000	104,273
Fed. Home Loan Bank Note	4.000	7,000,000	70,000
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Home Loan Bank Note	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.550	10,000,000	113,750
Fed. Home Loan Bank Note	5.250	11,000,000	144,375
Fed. Home Loan Bank Note	5.330	19,640,000	261,703
Fed. Home Loan Bank Note	5.230	8,000,000	119,527
Fed. Home Loan Bank Note	5.000	15,000,000	26,157
Fed. Home Loan Bank Note	5.330	9,000,000	119,925
Fed. Home Loan Bank Note	4.150	10,000,000	103,750
Fed. Home Loan Bank Note	4.350	10,000,000	108,750
Fed. Home Loan Bank Note	3.650	10,000,000	87,195
Fed. Home Loan Bank Note	4.750	7,000,000	48,028
Fed. Home Loan Bank Note	4.875	10,000,000	70,417
Total interest on investments			3,142,488
 Treasurer's interest distribution			 104,009
Total interest			3,246,497
 Change in fair value of investments			 6,722,977
Total investment income for the quarter			\$9,969,474